

Message Text

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-----106674 280647Z /12

P R 270940Z JUN 77
FM AMEMBASSY DACCA
TO SECSTATE WASHDC PRIORITY 5183
INFO AMCONSUL CALCUTTA
AMEMBASSY ISLAMABAD
AMEMBASSY LONDON
AMEMBASSY NEW DELHI
AMEMBASSY MANILA
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UNCLAS SECTION 1 OF 4 DACCA 3457

USOECD

PASS AID/ASIA/BIS

MANILA FOR USADB

E.O. 11652: N/A
TAGS : EFIN, BG
SUBJECT : BANGLADESH BUDGET 1977-78: PART I: SUMMARY
OF BUDGET SPEECH

REF : DACCA 3192

1. SUMMARY: WE ARE REPORTING THIS 1977/78 BANGLADESH
BUDGET SPEECH IN THREE PARTS, COVERING (1) THE REGULAR
BUDGET, (2) FOOD BUDGET, AND (3) DEVELOPMENT AND RAILWAY
BUDGETS, RESPECTIVELY. WE PLAN SUBSEQUENT CABLES ANALYZING
AND COMMENTING ON THE BUDGET. PRESIDENT ZIAUR RAHMAN, ALSO
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IN DIRECT CHARGE OF FINANCE MINISTRY, PRESENTED THE 1977/78
BANGLADESH BUDGET TO THE NATION JUNE 25. THIS NO-SURPRISE,
BALANCED BUDGET ASSUMES A SEVEN PERCENT (7 PERCENT) GROWTH RATE
OF GDP AND SENSIBLY CONTINUES THE TWO-YEAR OLD STABILI-
ZATION PROGRAM; IT EMPHASIZES EXPORT PROMOTION, IMPORT
LIBERALIZATION, IMPROVED AID UTILIZATION PROJECT IMPLE-
MENTATION, CONTINUING RELIANCE ON PRIVATE SECTOR

INITIATIVES, AND AGRICULTURAL PRODUCTION. THERE IS A STRONG STATEMENT ON THE NEED FOR POPULATION CONTROL. A RATION PRICE RISE IS HINTED AT. DEFENSE, INCLUDING LAW AND ORDER, EXPENDITURES ARE NOW PLACED AT DOLS 166 MILLION IN 1976/77, SEVENTEEN PERCENT (17 PERCENT) ABOVE THE BUDGET ESTIMATE, BUT ARE TO DROP TO 152 MILLION IN 1977/78. NO MAJOR NEW DIRECT TAXES WERE ANNOUNCED. THERE IS FAIRLY TOUGH HORTATORY LANGUAGE ON THE NEED FOR SELF-SACRIFICE. THE RAILWAY AND DEVELOPMENT BUDGETS WERE PRESENTED BY ADMIRAL M.H.KHAN, AND DR. M.N. HUDA, RESPECTIVELY (SEPTELS). THE RAILWAY BUDGET DETAILS AN AMBITIOUS ADB- AND BILATERAL DONOR-FINANCED EXPANSION PROGRAM WITH SOME MAJOR EXPORT OPPORTUNITIES. THE DEVELOPMENT BUDGET GENERALLY FOLLOWS THE DESCRIPTION OFFERED IN THE BANGLADESH AID GROUP MEMORANDUM (REFTEL). ALL DOCUMENTS WILL BE POUCHED UNDER CERP. END SUMMARY.

2. BUDGET SPEECH: ECONOMIC REVIEW OF 1976/77.

QUOTE, ON THE WHOLE THE ECONOMIC PERFORMANCE FELL SHORT OF OUR EXPECTATIONS MOSTLY DUE TO THE SETBACK IN AGRICULTURAL PRODUCTION, UNQUOTE. GDP GREW AT THREE PERCENT (3 PERCENT) (IN 1976/77 OVER 1975/76) WITH INDUSTRIAL PRODUCTION UP NINE PERCENT (9 PERCENT), BUT AGRICULTURAL PRODUCTION FELL. THE INFLATION RATE WAS NINE PERCENT (9PERCENT), LARGELY AS A RESULT OF FOODGRAIN PRICE RISES DURING THE FINAL MONTHS OF THE FISCAL YEAR, AND INCREASES IN THE UNCLASSIFIED

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MONEY SUPPLY GENERATED BY INCREASED FOREIGN EXCHANGE RESERVES. OTHER MAJOR ECONOMIC DEVELOPMENTS IDENTIFIED IN THE SPEECH:

- (I) FOOD PRODUCTION SHOWED A DECLINE OF ABOUT TEN (10) LAKH TONS FROM THE TARGET OF 130 LAKH TONS;
- (II) EXPORTS DURING THE YEAR ARE EXPECTED TO INCREASE BY ABOUT FIFTEEN (15) PERCENT;
- (III) INDUSTRIAL OUTPUT IS ESTIMATED TO INCREASE BY ABOUT NINE PERCENT (9PERCENT);
- (IV) IMPORTS DURING THE YEAR ARE ESTIMATED TO HAVE GONE DOWN BY ABOUT 25 PERCENT;
- (V) INVESTMENT EXPENDITURE IN THE ECONOMY WENT DOWN DUE TO LOWER DISBURSEMENT OF FOREIGN AID.

3. REVISED ESTIMATES (RE) FOR 1976/77: THE BANGLADESH BUDGET IS DIVIDED INTO TWO MAJOR PARTS, THE REVENUE AND DEVELOPMENT BUDGETS, WITH THE NON-DEVELOPMENT CAPITAL (AND FOOD) BUDGET, IN BETWEEN. 1976/77 RE AND ORIGINAL BUDGET ESTIMATES (BE) WERE IN MILLIONS OF DOLLARS (AT TAUQ 15.5 EQUALS ONE DOLLAR):

BE RE

REVENUE BUDGET

RECEIPTS (PLUS)	634	643
EXPENDITURE (MINUS)	495	530
SURPLUS (PLUS)	138	113

NON-DEVELOPMENT CAPITAL

SURPLUS (EXCLUDING FOOD) (PLUS)	7	6
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AVAILABLE FOR FINANCING

DEVELOPMENT BUDGET (I.E.,

138 PLUS 7) (PLUS)	145	119
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DEVELOPMENT BUDGET (INCLUD-

ING FOOD FOR WORK) (MINUS)	736	668
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FINANCED BY:

REVENUE AND NON-DEVELOPMENT

CAPITAL SURPLUS	145	119
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FROM PREVIOUSLY ACCUMULATED

BALANCES OF SOME AUTONOMOUS

BODIES	--	23
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SUBTOTAL DOMESTIC RESOURCES	145	142
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FOREIGN RESOURCES	591	527
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OF WHICH:

PROJECT ASSISTANCE	190	162
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FROM NON-PROJECT AID FOOD	(401	244
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BUDGET (NET)	(	121
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TOTAL FINANCING AVAILABLE	736	669
TOTAL FINANCING REQUIRED	736	669
OVERALL BUDGET SURPLUS		
(DOLS THOUSANDS)	271	155

4. INCREASED REVENUE BUDGET (NON-DEVELOPMENT)
EXPENDITURES: THE SEVEN PERCENT (7 PERCENT) INCREASE IN REVENUE
EXPENDITURES (RE) OVER BE INCLUDED SUBSTANTIAL RISES
IN GENERAL ADMINISTRATION (UP FIVEFOLD TO DOLS 23 MILLION
-- APPARENTLY PAYMENTS COVERING JUTE MILL LOSSES),
DEFENSE AND LAW-AND-ORDER SERVICES (UP DOLS 24 MILLION
OR SEVENTEEN PERCENT), AND FOREIGN AFFAIRS (UP FIFTY
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PERCENT TO DOLS 8 MILLION, LARGELY TO OPEN NEW POSTS
INCLUDING SOME IN ISLAMIC AID DONOR NATIONS AND TO
EXPAND TRADE PROMOTION SERVICES).

5. DEFENSE SERVICES: QUOTE, UNFORTUNATELY CONTINUED
PRESSURE ON OUR BORDERS AND MISCREANT ACTIVITIES PUT
SUBSTANTIAL PRESSURE ON OUR RESOURCES. ADEQUATE
STRENGTHENING OF THE LAW-AND-ORDER MACHINERY AND OF
NATIONAL SECURITY AGENCIES IS A PRIMARY RESPONSIBILITY
OF THE GOVERNMENT AND AN ESSENTIAL PRECONDITION
FOR UNINTERRUPTED ECONOMIC DEVELOPMENT, UNQUOTE.

6. DEVELOPMENT IN 196/77: QUOTE, OWING TO THE SHORT-
FALL IN OVERALL RESOURCES, MOSTLY UNDER FOREIGN AID,
THE SIZE OF THE RESERVE (I.E., NET) ANNUAL DEVELOPMENT
PLAN (ADP) WAS DETERMINED AT DOLS 649 MILLION. FOOD FOR
WORK AMOUNTED TO AN ADDITIONAL DOLS 19 MILLION, AGAINST
THE TARGET OF 25 MILLION.

7. 1977/78 BUDGET ASSUMPTIONS: QUOTE, THE BUDGET FOR 1977-78
ASSUMES A GROWTH RATE OF SEVEN PERCENT (7 PERCENT) FOR THE

ECONOMY REFLECTING THE NEED FOR MAKING UP THE LOSS SUFFERED IN 1976-77. THE AGRICULTURE SECTOR IS PROJECTED TO GROW BY EIGHT PERCENT (8 PERCENT), THE MANUFACTURING SECTOR BY SEVEN PERCENT (7 PERCENT) AND OTHER SECTORS TOGETHER BY ABOUT NINE PERCENT (9 PERCENT), UNQUOTE.

8. 1977/78 REVENUE BUDGET: RECEIPTS ARE ESTIMATED AT DOLS 746 MILLION, SIXTEEN PERCENT (16 PERCENT) ABOVE 1976/77 (RE), BUT THIS INCLUDES A SURPRISING THIRTY-THREE PERCENT (33 PERCENT) INCREASE IN CUSTOMS DUTIES, THE LARGEST SINGLE SOURCE OF TAX RECEIPTS. THIS INCREASE ASSUMES MORE DUTIABLE IMPORTS GENERATED BY A LARGER DEVELOPMENT UNCLASSIFIED

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PROGRAM, A LIBERALIZED IMPORT PROGRAM AND INCREASED ECONOMIC ACTIVITY. EXPENDITURES GROW TEN PERCENT (10PERCENT) OVER 1976/77 RE, WITH DEFENSE SERVICES, BANGLADESH RIFLES AND POLICE ALL ESTIMATED TO DECLINE IN 1977/78 FROM 1976/77 RE. MAJOR INCREASE IS DOLS 40 MILLION TO MEET AN AS-YET UNANNOUNCED (BUT TO BE EFFECTIVE JULY FIRST) PAY RISE FOR CIVIL SERVANTS. OUTLAYS ON EDUCATION AND HEALTH SERVICES ALSO GROW. REVENUE BUDGET SURPLUS (INCLUDING NEW TAXES) IS TO GROW 53 PERCENT OVER 1976/77 RE.

9. 1977/78 DEVELOPMENT BUDGET: FOR THIS LAST YEAR OF THE THREE-YEAR HARDCORE PROGRAM, THE GROSS ADP TARGET IS DOLS 824,5 MILLION OR ALMOT FIFTEEN PERCENT (15 PERCENT) IN CURRENT PRICES ABOVE THE 1976/77 ADP (RE). QUOTE, ALLOWING FOR OPERATIONAL SHORTFALL ON THE BASIS OF PAST PERFORMANCE, UNQUOTE, THE NET SIZE OF THE PROGRAM IS DOLS 742 MILLION. THIS NET PROGRAM IS TO BE FINANCED AS FOLLOWS (DOLLARS MILLIONS AT TAKA 15.5 TO ONE DOLLAR):

SOURCE	AMOUNT
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SURPLUS OF THE NON-DEVELOP-	
MENT BUDGET	165
PROJECT AID	219
NON-PROJECT ASSISTANCE	274
(COUNTERPART FUNDS)	
NET SURPLUS FROM THE FOOD	59
BUDGET	
DEBENTURES FROM AUTONOMOUS	15
BODIES	
NEW TAXES	10

TOTAL	742

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10. PROJECT IMPLEMENTATION: BUREAUCRATS TO THE VILLAGES:
QUOTE, AS I HAVE ALREADY MENTIONED, SLOW UTILIZATION OF
FOREIGN AID REDUCED AVAILABILITY OF RESOURCES IN 1976-77.
THIS WAS PARTLY DUE TO THE INABILITY OF THE AGENCIES TO
IMPLEMENT PROJECTS ON SCHEDULE. PROMPT DISBURSEMENT
OF PROJECT AID NOT ONLY ENSURES FLOW OF REAL RESOURCES,
BUT ALSO HELPS TO GENERATE DOMESTIC RESOURCES. THE
PLANNING COMMISSION, THE EXTERNAL RESOURCES DIVISION
AND THE PROJECT IMPLEMENTATION BUREAU HAVE BY NOW
INSTITUTIONALIZED ARRANGEMENTS FOR CLOSE MONITORING OF
PROJECT IMPLEMENTATION AND UTILIZATION OF FOREIGN AID.
BUT THE PRIMARY RESPONSIBILITY FOR SPEEDY AND TIMELY
DISBURSEMENT OF FOREIGN AID LIES WITH THE USER AGENCIES.
WEAKNESSES OF THE GOVERNMENT ORGANIZATIONS HAVE ALSO
BEEN A SOURCE OF CONCERN TO THE AID DONORS AS AIDED
PROJECTS HAVE LAGGED BEHIND IN MANY CASES DUE TO SLOW
IMPLEMENTATION. RECOMMENDATIONS OF THE PAY AND SERVICES
COMMISSION ARE UNDER EXAMINATION AND IT IS THE GOVERN-
MENT'S OBJECTIVE TO INSTALL AN EFFICIENT SERVICE AND
ADMINISTRATIVE STRUCTURE AS EARLY AS POSSIBLE. A KEY
ELEMENT IN THE REORGANIZATION OF THE ADMINISTRATIVE
STRUCTURE WILL BE THE WITHDRAWAL OF SURPLUS MANPOWER
FROM THE EXISTING ORGANIZATIONS AND THEIR GRADUAL
SHIFT TO THE DISTRICTS, THANAS AND UNION LEVELS TO
STRENGTHEN THE FIELD ADMINISTRATION. UNQUOTE.

11. BASIC POLICIES: (A) AGRICULTURE. TO INCREASE AND
DIVERSIFY PRODUCTION: (1) ALL CULTIVATABLE FALLOWLAND IS
TO BE CULTIVATED; (2) THE AGRICULTURAL CREDIT PROGRAM,

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LAUNCHED IN 76/77, WILL BE EXPANDED; (3) FULL USE WILL BE MADE OF EXISTING CAPITAL ASSETS (E.G. PUMPS); (4) SPECIAL MACHINES WILL BE GIVEN TO GROW OIL SEEDS, PULSES AND RAW COTTON, AGRICULTURAL PRODUCTS NOW IMPORTED AGAINST FOREIGN EXCHANGE.

(B) INDUSTRIES. QUOTE, THE ORGANIZED INDUSTRIAL SECTOR WILL HAVE TO IMPROVE THEIR PERFORMANCE IN 1977-78 AND REDUCE WASTAGE TO BRING DOWN THEIR COST OF PRODUCTION. ADEQUATE FACILITIES HAVE BEEN MADE AVAILABLE IN THE SHAPE OF RESOURCES FOR NEW AND BALANCING INVESTMENTS, RAW MATERIALS AND SPARES AND CREDIT AVAILABLE. UNCLASSIFIED

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ABILITY. GOVERNMENT WOULD, THEREFORE, EXPECT THIS SECTOR, WHETHER PUBLIC OR PRIVATE, TO MAXIMIZE PRODUCTION FOR THE GROWTH OF THE ECONOMY BY ACHIEVING PRODUCTION AT FULL CAPACITY LEVEL. THE NATIONALIZED SECTOR CORPORATIONS WILL HAVE TO DEMONSTRATE ABILITY TO MAKE PROFITS, UNQUOTE.

(C) FAMILY PLANNING AND POPULATION CONTROL. QUOTE, THE TASK AHEAD OF US IS ENORMOUS. IT HAS BEEN ESTIMATED THAT AT THE PRESENT GROWTH RATE THE POPULATION OF BANGLADESH WILL REACH THE LEVEL OF 160 MILLION BY THE YEAR 2,000. THIS SIMPLY CANNOT BE ALLOWED TO HAPPEN. THE FAMILY PLANNING AND POPULATION CONTROL PROGRAMME HAS, THEREFORE, TO BE ORIENTED KEEPING THIS IN VIEW. IN THE RURAL AREAS THE UNION PARISHADS WILL HAVE A SPECIAL RESPONSIBILITY TO PUSH THIS PROGRAMME AHEAD. THE PROGRAMME IS VOLUNTARY. GOVERNMENT WILL CONTINUE TO UNDERTAKE MASSIVE MOTIVATION CAMPAIGNS AND PROVIDE

PHYSICAL FACILITIES FOR ALL TYPES OF FAMILY PLANNING SERVICES, UNQUOTE.

(D) PRIVATE SECTOR, QUOTE, GOVERNMENT HAVE PROVIDED FACILITIES TO THE PRIVATE SECTOR IN THE FIELD OF INDUSTRIES, TRADE AND OTHER SERVICES. ADEQUATE INVESTMENT RESOURCES, CREDIT FACILITIES AND FISCAL INCENTIVE HAVE BEEN PROVIDED TO THE PRIVATE SECTOR WHICH WILL CONTINUE. THE INVESTMENT CORPORATION OF BANGLADESH WILL SHORTLY INITIATE SCHEMES FOR MOBILIZING SAVINGS TO CHANNEL THEM TO INDUSTRIAL INVESTMENT. ALREADY UNTIED FOREIGN CREDITS OF DOLS 50 MILLION HAVE BEEN LINED UP FROM THE WORLD BANK AND ASIAN DEVELOPMENT BANK FOR SUPPORTING INVESTMENT THROUGH THE BSB AND BSRS AND MORE FOREIGN EXCHANGE RESOURCES WILL BE CHANNELLED THROUGH UNCLASSIFIED

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THESE INSTITUTIONS IN THE COMING YEAR. THE PACE OF DISINVESTMENT OF TAKENOVER INDUSTRIES WILL BE STEPPED UP. OPENING UP OF THE SPECIALIZED JUTE AND TEXTILE INDUSTRIES TO THE PRIVATE SECTOR HAS PROVIDED OPPORTUNITIES FOR EXPORT-ORIENTED INVESTMENT. THREE HUNDRED AND FIFTY INDUSTRIAL UNITS HAVE BEEN LISTED FOR DISINVESTMENT AND ALREADY 220 SUCH UNITS HAVE BEEN HANDED OVER TO PRIVATE MANAGEMENT. A WELCOME DEVELOPMENT HAS BEEN OUR MEMBERSHIP OF THE INTERNATIONAL FINANCE CORPORATION, UNQUOTE.

(E) PRICE STABILITY. QUOTE, KEEPING IN VIEW THE PREVAILING ECONOMIC AND MONETARY SITUATION AND THE DECLARED POLICY OF THE GOVERNMENT TO MAINTAIN PRICE STABILITY, DEFICIT FINANCING HAS BEEN RULED OUT FOR THE SECOND YEAR RUNNING. IT WILL CONTINUE TO BE GOVERNMENT'S FIRM POLICY IN 1977-78 TO AVOID ANY RECOURSE TO DEFICIT FINANCING, UNLESS UNFORESEEN POST-BUDGET DEVELOPMENTS JUSTIFIABLY ESTABLISHES THE NEED FOR IT. THE POSITION WILL HAVE TO BE WATCHED WITH GREAT CAUTION. A MONETARY AND CREDIT PROGRAM FOR THE YEAR HAS BEEN DRAWN UP UNDER WHICH AGGREGATE CREDIT EXPANSION WILL BE KEPT WITHIN SPECIFIED LIMITS RELATED TO THE PROJECTED GROWTH OF THE ECONOMY AND ACCEPTABLE PRICE ASSUMPTIOS. CREDIT FROM THE BANKING SYSTEM WILL BE CHANNELLED TO MEET THE REQUIREMENTS OF THE PRODUCTIVE SECTORS AND INCREASED EMPHASIS WILL BE PLACED ON ENLARGEMENT OF CREDIT ON RELATIVELY EASIER TEMS TO THE SMALL FARMERS AND TRADERS. ATTAINMENT OF PRODUCTION TARGETS IN AGRICULTURE AND INDUSTRY WILL, THEREFORE, BE OF THE ESSENCE IN THE MANAGEMENT OF THE PRICE LEVEL, UNQUOTE.

(F) IMPORT LIBERALIZATION AND EXPORT PROMOTION.

QUOTE, IN 1976-77 WE HAD A RELATIVELY SATISFACTORY
BALANCE OF PAYMENTS POSITION. OUR FOREIGN EXCHANGE
RESERVES TOUCHED RECORD LEVELS. BUT WE CANNOT TAKE ANY
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COMPLACENT VIEW OF THIS. THE ACCUMULATION OF FOREIGN
EXCHANGE RESERVES RESULTED FROM EXPANSION OF EXPORTS
AND CASH FOREIGN ASSISTANCE WHILE IMPORTS LAGGED BEHIND.
LIBERALIZATION OF IMPORTS, SPEEDY USE OF FOREIGN AID
AND MAXIMUM ASSISTANCE TO THE EXPORT SECTOR WILL CON-
STITUTE THE KEY NOTE OF GOVERNMENT'S POLICY IN THE MANAGE-
MENT OF THE BALANCE OF PAYMENT. LIBERAL FACILITIES HAVE
BEEN AND WILL CONTINUE TO BE MADE AVAILABLE TO HELP
BANGLADESHI NATIONALS TO REMIT THEIR EARNINGS IN FOREIGN
EXCHANGE. ESTIMATED IMPORT FOR 1977-78 IS DOLS 1329
MILLION WHILE EXPORT HAS BEEN PROJECTED AT DOLS 468
MILLION. THE TRADE GAP OF OVER DOLS 840 MILLION WILL
BE FINANCED WITH FOREIGN AID IN THE SHAPE OF PROJECT
AND COMMODITY ASSISTANCE AND USING OUR FOREIGN EXCHANGE
RESERVES AND OTHER FOREIGN EXCHANGE EARNINGS. IN THE
INTEREST OF ORDERLY FOREIGN EXCHANGE TRANSACTIONS IT IS
ALSO THE GOVERNMENT'S POLICY TO MAINTAIN A STABLE
EXCHANGE RATE, UNQUOTE.

(G) SELF-SACRIFICE. QUOTE, ONE THING, HOWEVER, HAS
TO BE MADE VERY CLEAR. AS IN MANY OTHER DEVELOPING
COUNTRIES THERE WILL BE SUPPLY CONSTRAINTS DUE TO STRUC-
TURAL PROBLEMS IN THE ECONOMY. IN ORDER TO MAXIMIZE
EXPORTS IT WILL BE NECESSARY FOR US TO SACRIFIC DOMESTIC

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CONSUMPTION FOR SOME TIME LIKE MANY OTHER DEVELOPING NATIONS. WE CANNOT AVOID THIS. FROM WHAT I HAVE SAID BEFORE IT WILL BE CLEAR THAT THE YEAR 1977-78 WILL BE A YEAR OF HARD WORK FOR INCREASING PRODUCTION, MONETARY DISCIPLINE, AND SOME RESTRAINT ON CONSUMPTION, ESPECIALLY FOR THOSE WHO ARE MORE FORTUNATE THAN THE MAJORITY OF THEIR FELLOW COUNTRYMEN, UNQUOTE.

12. NEW TAXES: OF DOLS 10.4 MILLION (NET) TO BE RAISED BY NEW TAXES IN 1977/78, 5 MILLION IS TO COME FROM A TAX ON BINS (HAND-ROLLED CIGARETTES). THESE WERE COMPETING WITH REGULAR CIGARETTES, THE EXCISE TAX ON WHICH HAS UNCLASSIFIED

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BEEN A MAJOR REVENUE SOURCE. ANOTHER 4 MILLION IS TO COME FROM AN EXPOET TAX OF TEN PERCENT (10 PERCENT) ON THE F.O.B. VALUE OF WET-BLUE SEMIFINISHED LEATHER AND THE ABOLITION OF THE EXPORT REBATE THEREON. THESE CHARGES WILL QUOTE, MOP UP A PART OF THE PROFITS NOW ENJOYED BY MIDDLEMEN, UNQUOTE, AND ENCOURAGE THE EXPORT OF FINISHED LEATHER. THERE IS NO FOLLOW-UP OR CHANGE IN THE EXTENSION OF INCOME TAX OR AGRICULTURAL INCOME ANNOUNCED LAST YEAR.

13. NOTES. BANGLADESH FISCAL YEAR BEGINS JULY FIRST. WE HAVE CONVERTED ALL TAKA FIGURES TO DOLLARS AT TAKA 15.5 EQUALS ONE DOLLAR. WE PLAN TO COMMENT IN DETAIL ON THIS BUDGET OVER THE NEXT FEW WEEKS AFTER TALKING TO BANGLADES BANK, FINANCE, AND OTHER OFFICIALS. AT THIS POINT, BUDGET APPEARS TO US TO CONTINUE THE NOW FIRMLY-ESTABLISHED STABILIZATION PROGRAM, TO REFLECT GREAT CONCERN OVER PRICES, ESPECIALLY FOOD PRICES, AND TO REFLECT PROPER CONCERN OVER THE NEED FOR POPULATION CONTROL, AND SENSIBLE POLICIES OF EXPORT PROMOTION. THE BUREAUCRATS ARE UNLIKELY WILLINGLY TO GO TO THE VILLAGES

AS PRESIDENT ZIA HOPES, AND THE PAY RISE SWEETENER
APPEARS SMALL; CERTAINLY IT IS INADEQUATE TO PERSUADE
THE CIVIL SERVANTS TO LEAVE DACCA. DEFENSE SPENDING (RE)
ON THE THREE SERVICES APPEARS TO HAVE BEEN HELD TO A
RELATIVELY SMALL INCREASE (7 PERCENT) OVER BE; BUT IF ONE ADDS IN
ALL THE LAW-AND-ORDER GROUPS, INCLUDING POLICE, BANGLA-
DESH RIFLES AND VILLAGE DEFENSE FORCES, THE TOTAL SPENT
IS DOLS 166 MILLION (RE) OR 17 PERCENT ABOVE BE. THIS IS TO
FALL TO DOLS 152 MILLION IN 1977/78, BUT WE DOUBT IT
WILL DECLINE. FOREIGN LOANS AND GRANTS, AT DOLS 529
MILLION, COVERED LESS THAN 80 PERCENT OF TOTAL PUBLIC SECTOR
DEVELOPMENT EXPENDITURES, BY FAR THE LOWEST PERCENTAGE
SINCE INDEPENDENCE; (TYPICALLY, AID FLOWS HAVE EXCEEDED
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DEVELOPMENT EXPENDITURES). HENCE, THE BDG FINANCED
ABOUT ONE-FIFTH OF THE TOTAL. HOWEVER, WE DOUBT TOTAL
DEVELOPMENT EXPENDITURES ACTUALLY REACHED THE ESTIMATED
DOLS 668.4 MILLION. REVISED ESTIMATES HAVE REGULARLY
VARIED WIDELY FROM THE ACTUALS, ANNOUNCED ONLY A YEAR
LATER. INDEED, MUCH OF THE ANALYSIS MAY PROVE TO HAVE
A FAULTY BASE.
FURTHERMORE, PROJECTED AID FLOWS IN 1977/78, AT DOLS
783 MILLION ARE TO EXCEED TOTAL PUBLIC DEVELOPMENT
EXPENDITURES (INCLUDING FOOD FOR WORK) AT DOLS 768
MILLION.
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Executive Order: N/A
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Film Number: D770229-1302
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Handling Restrictions: n/a
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Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 715bda75-c288-dd11-92da-001cc4696bcc
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Review Content Flags:
Review Date: 09-Nov-2004 12:00:00 am
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Subject: BANGLADESH BUDGET 1977-78: PART I: SUMMARY OF BUDGET SPEECH
TAGS: EFIN, BG
To: STATE
Type: TE
vdkgvwkey: odb://SAS/SAS.dbo.SAS_Docs/715bda75-c288-dd11-92da-001cc4696bcc
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